

AMENDED IN SENATE APRIL 3, 2003

SENATE BILL

No. 172

Introduced by Senator Ducheny

February 12, 2003

An act to amend Sections 7073, 7073.8, and 7073.9 of, and to add Section 7073.3 to, the Government Code, relating to economic development.

LEGISLATIVE COUNSEL'S DIGEST

SB 172, as amended, Ducheny. ~~Enterprise zones; redesignation of Manufacturing Enhancement Area.~~

(1) Existing law requires the Technology, Trade, and Commerce Agency to designate up to 2 Manufacturing Enhancement Areas requested by the governing boards of cities meeting specified criteria, pursuant to which certain entities within the designated area may receive regulatory, tax, and other incentives for private investment and employment. A Manufacturing Enhancement Area in Imperial County is expanded pursuant to specified conditions.

The Enterprise Zone Act provides for the designation of enterprise zones by the agency, based on the agency's approval of applications from a city, county, or city and county with a geographic area meeting certain criteria. Certain entities within a designated enterprise zone may receive regulatory, tax, and other incentives for private investment and employment.

This bill would require the agency, upon request of the appropriate governing body or bodies, to designate an enterprise zone within the boundaries of a Manufacturing Enhancement Area designated prior to January 1, 2004, including any area expanded pursuant to these provisions, at which time the area would cease to be a Manufacturing

Enhancement Area for the purpose of obtaining benefits available to a Manufacturing Enhancement Area. It would provide that the number of Manufacturing Enhancement Areas that may be designated shall be reduced by the number of areas designated as enterprise zones pursuant to the bill, and would specify that the provisions governing the designation and expansion of Manufacturing Enhancement Areas shall become inoperative on the date on which the last area is designated as an enterprise zone.

(2) Pursuant to the Enterprise Zone Act, a designation of an enterprise zone made by the agency is binding for a period of 15 years from the date of the original designation, except that a designation period of a zone designated pursuant to certain provisions prior to 1990 that meets specified requirements may total 20 years.

This bill would remove the requirement that a zone be designated prior to 1990 in order to be eligible for a 20-year designation period *and make other related changes to the designation period.*

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 7073 of the Government Code is
2 amended to read:

3 7073. (a) Except as provided in subdivision (e), any city,
4 county, or city and county with an eligible area within its
5 jurisdiction may complete a preliminary application for
6 designation as an enterprise zone. The applying entity shall
7 establish definitive boundaries for the proposed enterprise zone
8 and the targeted employment area.

9 (b) (1) In designating enterprise zones, the agency shall select
10 from the applications submitted those proposed enterprise zones
11 that, upon a comparison of all of the applications submitted,
12 indicate that they propose the most effective, innovative, and
13 comprehensive regulatory, tax, program, and other incentives in
14 attracting private sector investment in the zone proposed.

15 (2) For purposes of this subdivision, regulatory incentives
16 include, but are not limited to, all of the following:

17 (A) The suspension or relaxation of locally originated or
18 modified building codes, zoning laws, general development plans,
19 or rent controls.



1 (B) The elimination or reduction of fees for applications,
2 permits, and local government services.

3 (C) The establishment of a streamlined permit process.

4 (3) For purposes of this subdivision, tax incentives include, but
5 are not limited to, the elimination or reduction of construction
6 taxes or business license taxes.

7 (4) For the purposes of this subdivision, program and other
8 incentives may include, but are not limited to, all of the following:

9 (A) The provision or expansion of infrastructure.

10 (B) The targeting of federal block grant moneys, including
11 small cities, education, and health and welfare block grants.

12 (C) The targeting of economic development grants and loan
13 moneys, including grant and loan moneys provided by the federal
14 Urban Development Action Grant program and the federal
15 Economic Development Administration.

16 (D) The targeting of state and federal job disadvantaged and
17 vocational education grant moneys, including moneys provided
18 by the federal Job Training Partnership Act of 1982 (Public Law
19 97-300).

20 (E) The targeting of federal or state transportation grant
21 moneys.

22 (F) The targeting of federal or state low-income housing and
23 rental assistance moneys.

24 (G) The use of tax allocation bonds, special assessment bonds,
25 bonds under the Mello-Roos Community Facilities Act of 1982
26 (Chapter 2.5 (commencing with Section 53311) of Part 1 of
27 Division 2 of Title 5), industrial development bonds, revenue
28 bonds, private activity bonds, housing bonds, bonds issued
29 pursuant to the Marks-Roos Local Bond Pooling Act of 1985
30 (Article 4 (commencing with Section 6584) of Chapter 5),
31 certificates of participation, hospital bonds, redevelopment bonds,
32 school bonds, and all special provisions provided for under federal
33 tax law for enterprise community or empowerment zone bonds.

34 (5) In the process of designating new enterprise zones, the
35 agency shall take into consideration the location of existing zones
36 and make every effort to locate new zones in a manner that will not
37 adversely affect any existing zones.

38 (6) In designating new enterprise zones, the agency shall
39 include in its criteria the fact that jurisdictions have been declared

1 disaster areas by the President of the United States within the last
2 seven years.

3 (7) When reviewing and ranking new enterprise zone
4 applications, the agency shall give special consideration or bonus
5 points, or both, to applications from jurisdictions that meet at least
6 two of the following criteria:

7 (A) The percentage of households within the census tracts of
8 the proposed enterprise zone area, the income of which is below
9 the poverty level, is at least 17.5 percent.

10 (B) The average unemployment rate for the census tracts of the
11 proposed enterprise zone area was not less than five percentage
12 points above the statewide average for the most recent calendar
13 year as determined by the Employment Development Department.

14 (C) The applicant jurisdiction has, and can document that it
15 has, a unique distress factor affecting long-term economic
16 development, including, but not limited to, resource depletion,
17 plant closure, industry recession, natural disaster, or military base
18 closure.

19 (c) In evaluating applications for designation, the agency shall
20 ensure that applications are not disqualified solely because of
21 technical deficiencies, and shall provide applicants with an
22 opportunity to correct the deficiencies. Applications shall be
23 disqualified if the deficiencies are not corrected within two weeks.

24 (d) (1) Except as provided in paragraph (2) *or* (3), or upon
25 dedesignation pursuant to subdivision (c) of Section 7076.1 or
26 Section 7076.2, a designation made by the agency shall be binding
27 for a period of 15 years from the date of the original designation.

28 (2) The designation period for any zone designated pursuant to
29 either this section or Section 7085 may total 20 years, subject to
30 possible dedesignation pursuant to subdivision (c) of Section
31 7076.1 or Section 7076.2, if the following requirements are met:

32 (A) The zone receives a superior or passing audit pursuant to
33 subdivision (c) of Section 7076.1.

34 (B) The local jurisdictions comprising the zone submit an
35 updated economic development plan to the agency justifying the
36 need for an additional five years by defining goals and objectives
37 that still need to be achieved and indicating what actions are to be
38 taken to achieve these goals and objectives.

39 (3) *In the fiscal year prior to the end of the 15-year original*
40 *designation period for any particular zone, if, in the judgment of*

1 *the secretary, the agency does not maintain sufficient staff to*
2 *conduct the audit pursuant to Section 7076.1 and review the*
3 *updated economic development plan required by subparagraph*
4 *(B) of paragraph (2), the designation period shall total 20 years,*
5 *subject to possible redesignation pursuant to subdivision (c) of*
6 *Section 7076.1 or Section 7076.2.*

7 (e) (1) Notwithstanding any other provision of law, any area
8 designated as an enterprise zone pursuant to Chapter 12.8
9 (commencing with Section 7070) as it read prior to January 1,
10 1997, or as a targeted economic development area, neighborhood
11 economic development area, or program area pursuant to Chapter
12 12.9 (commencing with Section 7080) as it read prior to January
13 1, 1997, or any program area or part of a program area deemed
14 designated as an enterprise zone pursuant to Section 7085.5 as it
15 read prior to January 1, 1997, shall be deemed to be designated as
16 an enterprise zone pursuant to this chapter. The effective date of
17 designation of the enterprise zone shall be that of the original
18 designation of the enterprise zone pursuant to Chapter 12.8
19 (commencing with Section 7070) as it read prior to January 1,
20 1997, or of the program area pursuant to Chapter 12.9
21 (commencing with Section 7080) as it read prior to January 1,
22 1997, and in no event may the total designation period exceed 15
23 years, except as provided in paragraph (2) of subdivision (d).

24 (2) Notwithstanding any other provision of law, any enterprise
25 zone authorized, but not designated, pursuant to Chapter 12.8
26 (commencing with Section 7070) as it read prior to January 1,
27 1997, shall be allowed to complete the application process started
28 pursuant to that chapter, and to receive final designation as an
29 enterprise zone pursuant to this chapter.

30 (3) Notwithstanding any other provision of law, any expansion
31 of a designated enterprise zone or program area authorized
32 pursuant to Chapter 12.8 (commencing with Section 7070) as it
33 read prior to January 1, 1997, or Chapter 12.9 (commencing with
34 Section 7080) as it read prior to January 1, 1997, shall be deemed
35 to be authorized as an expansion for a designated enterprise zone
36 pursuant to this chapter.

37 (4) No part of this chapter may be construed to require a new
38 application for designation by an enterprise zone designated
39 pursuant to Chapter 12.8 (commencing with Section 7070) as it
40 read prior to January 1, 1997, or a targeted economic development

1 area, neighborhood economic development area, or program area
2 designated pursuant to Chapter 12.9 (commencing with Section
3 7080) as it read prior to January 1, 1997.

4 (f) Notwithstanding any other provision of law, a city, county,
5 or a city and county may designate a joint powers authority to
6 administer the enterprise zone.

7 (g) No more than 42 enterprise zones may be designated at any
8 one time pursuant to this chapter, including those deemed
9 designated pursuant to subdivision (e). Upon the expiration or
10 termination of a designation, the agency is authorized to designate
11 another enterprise zone to maintain a total of 42 enterprise zones.

12 SEC. 2. Section 7073.3 is added to the Government Code, to
13 read:

14 7073.3. (a) Notwithstanding any other provision of law, and
15 upon request of the appropriate governing body or bodies, the
16 agency shall designate an enterprise zone within the boundaries of
17 a Manufacturing Enhancement Area designated prior to January
18 1, 2004, pursuant to Section 7073.8, including any area expanded
19 pursuant to Section 7073.9. The designation shall be binding for
20 a period of 15 years from the date on which the area was originally
21 designated as a Manufacturing Enhancement Area.

22 (b) Upon designation as an enterprise zone, the area described
23 in subdivision (a) shall cease to be a Manufacturing Enhancement
24 Area for purposes of obtaining any benefits available to a
25 Manufacturing Enhancement Area.

26 (c) Any enterprise zone designated pursuant to this section
27 shall be construed to be designated pursuant to Section 7073 for
28 purposes of any provision of the Revenue and Taxation Code.

29 (d) This section shall not be construed to increase the number
30 of enterprise zones authorized pursuant to Section 7073.

31 SEC. 3. Section 7073.8 of the Government Code is amended
32 to read:

33 7073.8. (a) The agency shall designate up to two
34 Manufacturing Enhancement Areas, as defined by Section
35 17053.47 of the Revenue and Taxation Code, requested by the
36 governing boards of cities each of which shall meet at least the
37 following criteria:

38 (1) The unemployment rate in the county in which the applicant
39 is located has been at least three times the state average from 1990
40 to 1995, inclusive.

1 (2) The applicant city is, or portions of the city are, designated
2 a federal enterprise community or empowerment zone pursuant to
3 Subchapter U (commencing with Section 1391) of Chapter 1 of
4 Subtitle A of Title 26 of the United States Code.

5 (3) The applicant city is located in a Border Environment
6 Cooperation Commission region as specified in Section 3473 of
7 Title 19 of the United States Code.

8 (4) At least one of the following:

9 (A) The designated area has grown by less than 5 percent in
10 population per year for each of the two years preceding the
11 application date.

12 (B) The median household income for the designated area is
13 under twenty-five thousand dollars (\$25,000) per year.

14 (C) The designated area has a population of under 20,000
15 persons according to the 1990 federal census.

16 (D) The designated area is located in a rural community.

17 (5) An audit of the program shall be made at the end of the 5th
18 and 10th year of its operation by the Trade and Commerce Agency
19 with the cooperation of the local governing board. The audit shall
20 be used to determine how effective the designation has been in
21 attracting manufacturing facilities and creating new employment
22 opportunities. Continuation of the designation is contingent on
23 evidence of success of the program.

24 (b) Except as provided in Section 7073.3, for purposes of
25 applying any provision of the Revenue and Taxation Code, any
26 Manufacturing Enhancement Area designated pursuant to this
27 section shall not be considered an enterprise zone designated
28 pursuant to this chapter.

29 (c) The designation as a Manufacturing Enhancement Area
30 pursuant to this section shall be binding for a period of 15 years,
31 commencing January 1, 1998.

32 (d) The number of Manufacturing Enhancement Areas that
33 may be designated shall be reduced by the number of those areas
34 designated as enterprise zones pursuant to Section 7073.3.

35 (e) This section shall become inoperative on the date on which
36 the last Manufacturing Enhancement Area is designated as an
37 enterprise zone pursuant to Section 7073.3.

38 SEC. 4. Section 7073.9 of the Government Code is amended
39 to read:

1 7073.9. (a) Upon approval by the agency of an application by
2 a city or county, a Manufacturing Enhancement Area in Imperial
3 County is expanded to the extent proposed, but in no event by more
4 than a 200-acre site that is located in Imperial County and used for
5 purposes of those lines of business described in Codes 2011 to
6 3999, inclusive, of the Standard Industrial Classification (SIC)
7 Manual published by the United States Office of Management and
8 Budget, 1987 edition, to include definitive boundaries that are
9 contiguous to the Manufacturing Enhancement Area. The agency
10 shall approve an application for expansion of the Manufacturing
11 Enhancement Area if the agency determines that the proposed
12 additional territory meets the criteria specified in Section 7073.8
13 to the same extent as the existing territory of the Manufacturing
14 Enhancement Area and if all of the following conditions are met:
15 (a) The governing body of each city in which the
16 Manufacturing Enhancement Area is located approves an
17 ordinance or resolution approving the proposed expansion of that
18 area.
19 (b) The additional territory proposed to be added to the
20 Manufacturing Enhancement Area is zoned for industrial or
21 commercial use.
22 (c) Basic infrastructure, including, but not limited to, gas,
23 water, electrical service, and sewer systems is available to the
24 additional territory proposed to be added to the Manufacturing
25 Enhancement Area.
26 (d) This section shall become inoperative on the date on which
27 the last Manufacturing Enhancement Area is designated as an
28 enterprise zone pursuant to Section 7073.3.

